

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY KUALA LUMPUR

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E.O. 11652:N/A

TAGS: EFIN, MY

SUBJECT: PRELIMINARY COMMITMENT REQUEST FOR SARAWAK LNG
PROJECT

1. EXIMBANK HAS BEEN APPROACHED BY GENERAL ELECTRIC
COMPANY AND ELLIOTT OVERSEAS COMPANY FOR PRELIMINARY
COMMITMENT (P.C.) TO SUPPORT SALE OF U.S.GOODS AND
SERVICES COSTING DOLLARS 77 MILLION FOR SARAWAK LNG PLANT.
G.E. AND ELLIOTT ARE SEEKING TO REINSTATE ORDER PLACED IN
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1974 BY SIPM (ROYAL DUTCH SHELL) THAT WAS CANCELLED IN
1976.

2. P.C. APPLICATION INCLUDES FOLLOWING ITEMS:

9 COMPRESSORS (ELLIOTT) DOLLARS 15 MILLION
9 45,000HP STEAM TURBINES (GE) 12 MILLION
9 CONDENSORS (GRAHAM MANUFACTURERS) 5 MILLION
2 17,000KW GAS TURBINE GENERATORS (GE) 6 MILLION

3 16,000KW STEAM TURBINE GENERATORS (GE) 6 MILLION
SWITCHGEAR, TRANSFORMERS, ETC. (GE) 3 MILLION
3 HEAT EXCHANGERS (AIR PRODUCTS COMPANY) 30 MILLION
TOTAL DOLLARS 77 MILLION

3. APPLICANTS STATE THAT ABOVE ITEMS ARE LONG LEAD ITEMS FOR WHICH INVITATIONS TO BID ARE EXPECTED IN SEPTEMBER, 1978. ELLIOTT AND GE HOPE TO NEGOTIATE SALE BEFORE INVITATIONS TO BID ARE ISSUED AND ARE ASKING FOR EXIMBANK RESPONSE TO P.C. REQUEST BY MID-JULY. UNFORTUNATELY, APPLICANTS HAVE VERY LITTLE TECHNICAL AND FINANCIAL INFORMATION ON PROJECT.

4. IN LARGE PROJECTS WHERE NUMEROUS U.S. SUPPLIERS MIGHT BE INVOLVED, EXIMBANK PREFERS TO DEAL DIRECTLY WITH BORROWER. IS THERE ANY POSSIBILITY THAT BORROWER OR GOM MIGHT APPROACH EXIMBANK DIRECTLY FOR P.C. TO FINANCE U.S. PROCUREMENT?

5. WHAT ARE PROSPECTS OF U.S. SUPPLIERS NEGOTIATING SALE PRIOR TO TENDERS BEING ISSUED? WHAT ARE PROSPECTS OF U.S. SUPPLIERS ON OTHER SEGMENTS OF PROJECT? WHO ARE CHIEF COMPETITORS? IS THERE ANY BIAS AGAINST U.S. SUPPLIERS OR EXIMBANK FINANCING ON PART OF GOM OR PETRONAS? LIMITED OFFICIAL USE

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6. IN ORDER TO EVALUATE FINANCIAL AND TECHNICAL FEASIBILITY OF PROJECT, EXIMBANK IS SEEKING FOLLOWING INFORMATION AND ITEMS:

- A. WHO WILL ACT AS OBLIGOR FOR FINANCING?
- B. WHO WILL ACT AS GUARANTOR?
- C. WILL ANY SECURITY BE OFFERED LENDERS OTHER THAN GUARANTEE?
- D. WHAT IS TIMING FOR ISSUANCE OF TENDERS, SUBMISSION OF BIDS, AWARD OF CONTRACTS, DELIVERY OF MAJOR EQUIPMENT ITEMS, AND COMPLETION FOR VARIOUS SEGMENTS OF PROJECT?
- E. COPY OF FEASIBILITY STUDY PREPARED BY SIPM.
- F. DETAILS OF CONTRACT AMONG SPONSORS.
- G. ARRANGEMENTS FOR SALE AND TRANSPORTATION OF LNG.
- H. INFORMATION ON RESERVES OF FEEDSTOCK AND ARRANGEMENTS FOR SUPPLY TO LNG FACILITY.
- I. FINANCING PLAN FOR PROJECT INCLUDING EQUITY PARTICIPATIONS OF SPONSORS, AMOUNTS AND SOURCES OF DEBT FINANCING, AND PLANNED RATIO OF EQUITY CAPITAL TO DEBT CAPITAL.
- J. PROJECT CAPITAL COST BREAKDOWN BY MAJOR

COMPONENT.

K. MARKETING AND FINANCIAL DATA DEMONSTRATING
ECONOMIC FEASIBILITY OF PROJECT.

L. WILL FINANCING PROPOSAL BE REQUIRED WITH SUB-
MISSION OF BIDS FOR VARIOUS SEGMENTS OF PROJECT?

7. ELLIOTT AND GE HAVE EMPHASIZED DELICATE NATURE OF
NEGOTIATIONS BETWEEN THEMSELVES AND SIPM. ACCORDING TO
APPLICANTS, SIPM PREFERS GE AND ELLIOTT EQUIPMENT. HOW-
EVER, APPLICANTS ARE CAREFUL NOT TO LET MITSUBISHI OR
PETRONAS KNOW OF EFFORTS TO NEGOTIATE SALE WITH SIPM PRIOR
TO ISSUANCE OF TENDERS.

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8. EXIMBANK WOULD APPRECIATE ASSISTANCE IN OBTAINING
STATED ITEMS AND INFORMATION. VANCE

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